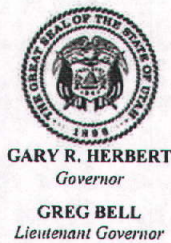


5/003/0035  
cc: Lynn



GARY R. HERBERT  
Governor

GREG BELL  
Lieutenant Governor

## State of Utah

### DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER  
Executive Director

#### Division of Oil, Gas and Mining

JOHN R. BAZA  
Division Director

October 13, 2010

**CERTIFIED MAIL NO. 7004 2890 0000 6084 5901**

Thomas F. Miller  
1116 North Frontage Road  
Deer Lodge, Montana 59722

Subject: Response to Letter Concerning Reclamation of Vipont Mine, Aurora oil and Gas,  
Vipont Mine, S/003/0035, Box Elder County, Utah

Dear Mr. Miller:

I am writing in response to your undated letter received by the Division of Oil, Gas and Mining (Division) August 17, 2010, and our earlier telephone conversation.

I understand your concerns, and will individually address those you expressed in your letter. I hope that this will clear up any misunderstandings concerning the Division's actions, and those of the permitted mine operator.

The Utah Mined Land Reclamation Act and Utah Administrative Rules allow representatives of the Division of Oil, Gas and Mining to access permitted mine sites at all reasonable times to enter and conduct inspections. Division representatives have inspected the Vipont mine about four times over the past year in accordance with the Act. Signs warning of "no trespassing" were either not present or not evident at the mine site or on the access road at the times of inspection.

The Act provides that the Division may require that a mine site be reclaimed after ten years of inactivity (Rule R647-3-113.5). Your letter says you had not operated in 22 years (1988) although you had not abandoned the property. The annual report from 2005 said the last year of activity was 1996. In either case, the site had been inactive for more than ten years, there had been no request to the Division or the Board for a longer suspension period, and in accordance with the cited rule, the Division was entitled to require reclamation. In addition, if a mine operator ceases mining and/or is unable to replace a cancelled reclamation surety, then the Division is obligated to forfeit the surety and require reclamation of the site. As a result of the bankruptcy of Aurora Oil and Gas such action became necessary.

Aurora Oil and Gas was the operator of the Vipont mine at the time of it filed for bankruptcy in 2009. An application to conduct mining operations (Notice of Intention to





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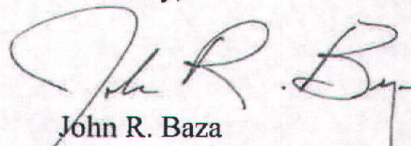
Commence Mining Operations or NOI) at for the Vipont mine site had been submitted by Cadence Resources and found to be complete on March 20, 2003. Cadence Resources later merged with Aurora Oil and Gas. Cadence/Aurora is the only company that has submitted a complete NOI for this site, and Aurora also provided a reclamation surety and reclamation contract as required. After Aurora's bankruptcy, the Division was advised that the letter of credit posted as surety would not be renewed. The Division made demand on the bank for payment of the surety and advised Aurora that unless a replacement surety was provided that reclamation would be required in accordance with the reclamation plan and the Act. Aurora elected to reclaim.

The Division's records show that you filed an NOI in November 1977, which the Division found to be incomplete. There were many actions taken by the Division and the Board of Oil, Gas and Mining in an attempt to get a complete NOI and a reclamation surety, but no permitting action with you was ever finalized. Annual reports were filed by you or by persons as agents of Vipont for many of the subsequent years. There is no question that you were aware of the need for the operator of the mine to obtain a permit from the Division and to provide a surety to guarantee reclamation of the mine.

We have communicated with Aurora's attorney, Andy Johnson (918-584-6644), and he stated that although there may have been some disagreements with you over a lease at the time of the bankruptcy, that Aurora was a part owner of Vipont. In addition, Aurora was the recognized operator and had the obligation to reclaim the site. This understanding was confirmed in our Stipulation with Aurora that was approved by the bankruptcy court prior to the reclamation work being commenced. We suggest that any further actions or explanations you think are necessary regarding the reclamation work should be directed to Aurora, which is now doing business as North Star Energy with offices in Traverse City, Michigan, and Tulsa, Oklahoma.

I hope these explanations are helpful.

Sincerely,



John R. Baza  
Director

JRB:pb:jac

- c. Northstar Energy, LLC/4110 Copper Ridge Drive Suite 100/Traverse City, MI 49684  
Sheriff Lynn Yeates/Box Elder County/P.O. Box 888/Brigham City, UT 84302  
Steve Alder, AAG, Natural Resources  
Dana Dean, Associate Director, Mining  
Paul Baker, Minerals Program Manager